

City of Lynchburg Review of Museum Inventory



Final Report

October 31, 2005

Prepared by the Department of Internal Audit

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Introduction

The Museum System, established in 1976, collects, preserves and displays artifacts representative of the history of Lynchburg. The Museum System is comprised of the Old Court House and a collection of over 18,000 items. These items have been exhibited at the Old Court House Museum, the Community Market and the Regional Airport. Most of the items normally housed in the Old Court House are currently stored at the Business Development Center due to the three-year renovation of the Old Court House. Other items are temporarily at the Bragassa Museum on 12th Street.

Point of Honor, a house museum, is owned by Point of Honor, Inc. It is managed by the Museum System under a contract that dates to 1976. The City pays for normal operating expenses such as heat, air conditioning, lights, custodial services and security. Salaries for the staff of museum guides are also covered by the City. However, Point of Honor, Inc. owns the building and the related artifacts. Operations at Point of Honor are partially funded through the Katherine Diggs Trust Fund, as established in her will, and managed by Wachovia Bank's Charitable Funds Management department. The trust fund pays for major structural work, HVAC, etc. This relationship is unique among museums in Virginia.

The Museum Curator maintains an inventory database that includes 18,216 City and Point of Honor items. Each item is assigned an identifying number based on the year donated and the sequence of the item in relation to all of the items donated for the year. Photographs of many of the items are included in the database.

A separate list is maintained of the items for which monetary values have been established. This list is sent to the City's Risk Manager for insurance purposes. As of January 18, 2005, there were 265 items listed with a total value of \$573,117.00. Of these, 210 are owned by Point of Honor, Inc. and 55 by the Lynchburg Museum System.

This review of the Museum inventory was performed at the request of the Audit Committee due to the retirement of the Museum Administrator. Our objective was to verify that the items listed on the Museum inventory are actually in custody and are adequately protected from theft and physical damages.

Work Performed

We selected our sample for testing from the list of the 265 items with assigned values. Fifty-three (20%) of both City and Point of Honor items, having a value of \$1,000.00 or greater, were included in our review. We also performed a walk-through of the facilities and interviewed Museum staff to gain an understanding of procedures and to determine whether adequate safekeeping measures are in place.

The inventory review was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

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The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

Observations

Although we were able to locate and adequately identify all 53 items in our sample, there are several concerns that need to be addressed. It should be noted that the present Curator is new to the City and was not involved in creating the database or the list of items requiring insurance coverage. Additionally, the new Museum Administrator has not begun work and the Educator position is currently unfilled.

I. Inaccurate Insurance Information

The 265 item list that is sent to the City's Risk Manager for insurance purposes includes mostly items located at Point of Honor, Inc. Of the items listed, fifty-five (55) are owned by the City and have a total value of \$125,165. During our review, we were told that the items located at Point of Honor are covered by insurance purchased by Point of Honor, Inc. However, no one at the museum had specific information relative to the coverage.

We contacted the custodian for the Katherine Diggs Trust Fund who provided "Evidence of Property Insurance" and a "Statement of Values" for Point of Honor, Inc. from Campbell Insurance Company. This information was provided to the City's Risk Manager and the Museum Curator.

Suggestion:

We suggest that the list of valued items sent to the City's Risk Manager for insurance purposes be revised to include only those items belonging to the City.

II. Inaccurate List of Valuable Items

1. The insurance listing dated January 18, 2005 included 9 items belonging to Point of Honor that are noted as *deaccessioned* (sold) in September 2004. These items were valued at \$32,700.00
2. Nine (9) items listed on the insurance list were not included in the complete database listing.
3. The insurance list was not dated to indicate when the inventory was verified. Additionally, there were no initials or signatures to denote the person(s) verifying the items. The memo attached was signed by the Curator.

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4. There are 23 reproduction items on the insurance list that are valued from \$4.00 to \$270.00. They are located at Point of Honor and include such items as kitchen utensils, bowls and pots. Items such as these are inexpensive and easily replaced and are not normally included with items requiring insurance coverage.

Suggestion:

1. Ensure that the insurance listing does not include items that have been removed from the inventory of artifacts.
2. Verify that the items on the insurance listing are in possession and are listed on the inventory database.
3. Revise the insurance listing to include the date the inventory was verified and the initials or signature(s) of the person(s) conducting the inventory. This information should be included on each inventory page.
4. Exclude reproduction pieces from the insurance listing that are easily and inexpensively replaced.

III. Weak Internal Controls

The data base and inventory are maintained solely by the Museum Curator. Without a segregation of these duties, there are no controls in place to ensure the safekeeping of the artifacts.

Suggestion:

We recognize that the limited staff in the museum makes it difficult to implement good internal controls over the access of the inventory and the maintenance of the database. Therefore, we suggest that management consider the possibility of a part time position to assist the Curator with the database management.

Other Comments

We want to thank the Museum Curator, Greg Krueger, for all of the time he spent assisting us with this review. His knowledge was much appreciated and very helpful. We are available to discuss this report should there be any questions or concerns.

Carol J. Bibb, Internal Audit Director

Emmie Boley, Staff Auditor

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Management's Response

TO: Carol Bibb, Director of Internal Audit

FROM: Lynn L. Dodge, Director of Libraries and Museums

DATE: October 21, 2005

RE: Review of the Museum's Inventory – response

Museum Curator Greg Krueger and I have reviewed the museum inventory report prepared by your office. We concur with the findings.

Upon the arrival of the new Museum Director, Douglas K. Harvey, on October 31, 2005, the report will be shared with him. He and Mr. Krueger will give high priority to implementing the recommendations. Since there are only 55 items on the insurance list belonging to the Museum System, it should not take more than a few weeks to review the list and verify the items are in possession and listed on the inventory database. Because the staff is small, Mr. Harvey will provide the second signature.

While your recommendations relate specifically to the artifacts belonging to the Lynchburg Museum System, we will recommend to Mr. Harvey that the recommendations be followed for the Point of Honor collections as well.

Thank you for the thorough review. It is a credit to Mr. Ledford that the policies and procedures he established over the past 29 years, and which have been implemented by a succession of curators, have stood the test of time.

Cc Dr. R. Gardner, Chair, Museum Advisory Board
Ms. K. Buchanan, Wachovia Bank
Mrs. B. Giles, Chair, Point of Honor Board of Managers
Mr. G. Krueger, Museum Curator
Mr. K. Payne, City Manager

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